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TO GENERAL SCOWCROFT

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T O P S E C R E T CONTAINS CODEWORD DELIVER AT OPENING OF BUSINESS
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TOHAK23

NOVEMBER 18, 1974

MEMORANDUM FOR: GENERAL SCOWCROFT

FROM: DAVID ELLIOTT

SUBJECT: SALE OF CANADIAN NUCLEAR REACTOR TO SOUTH
KOREAN

BACKGROUND

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THE U.S. (WESTINGHOUSE) HAS ONE REACTOR UNDER CONSTRUCTION IN KOREA AND ANOTHER ONE BEING NEGOTIATED. ALTHOUGH NOT AN NPT PARTY, KOREA HAS ACCEPTED IAEA SAFEGUARDS ON U.S. SUPPLIED NUCLEAR FACILITIES, AND HAS INDICATED WILLINGNESS TO DO THE SAME FOR THE CANDU.

OUR AGREEMENT WITH KOREA ON COOPERATION IN THE PEACEFUL USES OF ATOMIC ENERGY (AN AGREEMENT WHICH WE REQUIRE AS A PRECONDITION FOR NUCLEAR TRADE) UNFORTUNATELY HAS THE "PNE LOOPHOLE" WHEREBY DIVERSION ON PLUTONIUM IS FORESWORN FOR NUCLEAR WEAPONS BUT NOT SPECIFICALLY FOR PNE USE. WHILE WE ARE CONSIDERING HOW TO CLOSE THIS LOOPHOLE IN ALL OUR AGREEMENTS, THIS MATTER IS NOT A PRESSING CONCERN VIS-A-VIS KOREA BECAUSE THEY HAVE NO CHEMICAL REPROCESSING PLANT FOR EXTRACTING PLUTONIUM FROM SPENT FUEL, AND THEY ARE VERY UNLIKELY TO HAVE SUCH TECHNOLOGY FOR SOME TIME.

ON-FILE NSC RELEASE
INSTRUCTIONS APPLY

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WILL KOREANS RAISE THE QUESTION OF NUCLEAR REACTORS?
IT SEEMS UNLIKELY THAT THE KOREANS WILL BROACH THE REACTOR
SUBJECT(1) SINCE CANADA HAS MADE NO FINAL DECISION AND KOREA
MAY YET GET THE CANDU THEY ARE SEEKING, AND (2) SINCE WE
ARE BUILDING ONE REACTOR AND NEGOTIATING A SECOND IN
KOREA, THERE WOULD BE NO REASONS FOR THE KOREANS TO THINK IT
NECESSARY TO QUESTION IN HIGH LEVEL DISCUSSIONS THE AVAILABILITY OF
MORE.

HOW TO RESPOND IF THEY DO RAISE REACTOR SALES.

WE MAY WANT TO USE FURTHER SALES AS A LEVER TO CLOSE THE PNE
LOOPHOLE. THEREFORE, IT WOULD BE REASONABLE TO:

- ACKNOWLEDGE THE NUCLEAR COOPERATION THAT HAS BEEN CARRIED OUT
BETWEEN US AND RECOGNIZE THAT THE KOREANS HAVE SELECTED
A U.S. REACTOR TO HELP MEET THEIR ELECTRICAL POWER NEEDS,
- EXPRESS CONFIDENCE THAT FUTURE REQUESTS FOR REACTORS CAN
BE WORKED OUT, AND
- INDICATE, AS WE HAVE OFTEN SAID, THAT THE BENEFITS OF
ATOMIC ENERGY SHOULD BE AVAILABLE TO ALL WHO ENFORCE
THE CONDITIONS THAT PRECLUDE PROLIFERATION OF NUCLEAR
EXPLOSIVES.

DENIS CLIFT AND JACK FROEBE CONCUR.

TAB A

CANADA - SOUTH KOREA

THE CANADIAN GOVERNMENT IS TRYING TO DECIDE WHETHER
TO ALLOW THE SALE OF NUCLEAR POWER AND RESEARCH REACTORS
TO SOUTH KOREA AND A NUMBER OF OTHER POTENTIAL PURCHAS-
ERS.

A DECISION TO SELL TO SOUTH KOREA IS NOW VERY MUCH IN
DOUBT BECAUSE OF GROWING CONCERN IN CANADA THAT PLUTO-
NIUM PRODUCED BY THE RESEARCH REACTORS MIGHT BE DIVERTED
TO MILITARY USE.

GOVERN-
MENT IS GENERALLY CONVINCED OF SEOUL'S HOPE OF DEVELOP-
ING A NUCLEAR WEAPONS CAPABILITY. THIS CONFIRMS AN
EARLIER CANADIAN PRESS REPORT WHICH STATED THAT GOVERN-
MENT SOURCES HAD SUGGESTED CANADA MIGHT DECIDE NOT TO
SELL A REACTOR TO SOUTH KOREA EVEN IF ADEQUATE NUCLEAR
SAFEGUARDS WERE OBTAINED. SEOUL HAS AGREED TO SIGN A
SAFEGUARDS PROTOCOL TO THE REACTOR SALES AGREEMENT

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COVERING NOT ONLY THE CANDU REACTOR ITSELF, BUT ALSO THE PRODUCTS EMANATING FROM IT.

ACCORDING TO THE PRESS REPORT, OTTAWA RECENTLY COMPLETED AN ASSESSMENT OF THE SEOUL REGIME'S POLITICAL STABILITY AND MILITARY ASPIRATIONS AND WHETHER THESE MIGHT LEAD TO A NUCLEAR ARMS PROGRAM IN SOUTH KOREA. THE ARTICLE DID NOT CONTAIN THE CONCLUSIONS OF THE STUDY, BUT INDICATED THAT THEY HAD BEEN GIVEN TO THE CABINET.

THERE HAS BEEN HEAVY COMMERICAL PRESSURE ON OTTAWA TO AGREE TO FOREIGN SALES OF THE CANDU REACTOR BECAUSE CANADA WOULD GAIN ENORMOUSLY.

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[REDACTED], OTTAWA HAS BEEN BESET BY DOUBTS ABOUT ITS REACTOR SALES PROGRAM. RECENTLY, THERE HAS BEEN INCREASING DOMESTIC AND FOREIGN PRESSURE ON OTTAWA TO TAKE A MORE CAUTIOUS APPROACH IN APPROVING REACTOR SALES.

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